

## **Minutes for December 13, 2012**

### **Local Government Advisory Committee (LGAC)**

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#### **Attendees**

Members: Alexandra Johnson (SAO), Christy Raske (SAO), Jerry Pettit (WACO), Jim Hendrickson (WMTA), Bret Brodersen (OFM), Sandy Langdon (WFOA), Dean Walz (WFOA), Jeff Monsen (CRAB), John Payne (WFOA), Brad Posenjak (WACO), Dawna Truman (WSAC), Chuck Pfeil (SAO), Kay Stevens (WCAA)

Additional attendees: Sherry Speaks (Mason PUD 3), Kathy Streissguth (Clark Fire and Rescue), Rick Dyer (Clark PUD), Chris Johnson (Port of Anacortes), Debra Burleson (SAO)

#### **Decisions of the State Auditor**

No decisions required by the State Auditor.

#### **Minutes**

The LGAC meeting began at 9:00 am and was held in the Town Square Training Room, Olympia. The meeting was called to order by Christy Raske.

#### **Approval of Minutes from May 2012**

Christy Raske asked if the members had reviewed the minutes and if they are ready for approval. Jerry Pettit moved and Jim Hendrickson seconded the motion to approve the minutes. The minutes were unanimously approved.

#### **BARS Update**

##### **Annual Reports-Electronic Filing**

SAO does not require local governments to file annual reports electronically online. They have the option to file online, partially file online, or mail in

their annual reports as a hard copy. Christy Raske brought up for discussion the possibility at some time requiring all local governments to file online. The advantages include 1)SAO could process the data quicker, 2)local governments would be editing their data and 3)data could be uploaded to the external website earlier. Some of the downfalls are that local governments will be dealing with a new chart of accounts in 2013 and 700 out of total 1400 have not yet filed online. The SAO would have to provide enough customer service to help anyone who has problems filing since they have to correct the red flags in their Schedule 01 to continue filing the remaining schedules to file on time. One option would be for the SAO to allow the red flags to be accepted; however that would be allowing incorrect data that would have to be corrected later in order to be processed.

John Payne suggested the SAO require online reporting in 2015. This would allow time to adjust to new accounts and to get used to the filing online. Another idea is to allow smaller governments an additional year or two and phase in the requirement. Suggestions were made for the SAO to try to find out why the 700 paper filers did not file online and work with them. Duane Walz may already have some of this information but it would help identifying some problems that may be easily solvable.

Chuck Pfeil brought up an additional topic the SAO is working on regarding the auditors using the filed annual reports for their audits. There are cases where the auditors could use the annual reports but the government makes adjustments after filing and auditors may not be auditing the corrected version of the financial statements. So there are the SAS 115 considerations as well as auditors not wanting to request from auditees financial statements when they could be obtaining these statements from the SAO system. The SAO will continue to work on this try to determine the best solution.

## **Electronic BARS**

Alexa presented the status of the electronic BARS manual. After consultations with the SAO IT Team the most affordable version was chosen. The electronic format required many adjustments to existing files. They have to be split into sections, reformatted to be uniform (fonts, margins, headings, footers, references, etc.). The notes to financial statements had to be redone since the current format is not applicable for website. This process is completed now, and the SAO is currently building the web model. The electronic version should be available in early January.

The first release may not have all planned links build in but they will be added in following weeks. Alexa stated that the format of subsequent updates is not resolved yet and it will be discussed later, but the decision will largely driven by available resources.

## **BARS Update**

Alexa provided handout with the most significant updates. Since the files were reformatted, the new version will not match exactly the last printed one. Also, some sections were removed or moved around. The Manual will contain the new chart of accounts. The Committee discussed the impact of removing the requirement to report local grants on the state and local portion of Schedule 16. Alexa stated that even if governments still disclose these grants like they used to, this won't have any impact on the Schedule since is not used as data collection form but as a helping tool in audit of federal grants. Also, there was discussion regarding the flowchart for determining component units. Dean Walz proposed to provide analysis for the Transportation Benefit Districts (TBD's). SAO will look into this , but since the disclosure of component units. Since not all TBDs are created in the same way, a blanket analysis may not be possible. Alexa ask the group to contact her with additional comments.

## **SAO Update**

Chuck Pfeil stated that Troy Kelley would be announcing his transition team soon. Chuck also will ask if Troy can attend the next LGAC meeting.

Chuck discussed reviewed changing in audit frequency for school districts this year for audits with history of no audit findings, no misappropriations or other irregularities or no external requirements for an audit. Prior to this change, 85 of the school districts had annual accountability audits, and 120 had audits every two years, 41 every three years and 49 limited audits (no onsite). After the evaluation, 110 school districts have been offered less frequent audits. The SAO then reviewed county and city audits and offered less frequent accountability audits as well. This if the first time they have done a formal analysis on a statewide basis and plan on doing this annually.

The SAO issued two topical audits recently: 1) Declining Financial Condition, and 2) Public Development Authorities (PDA) and Public Facility Districts (PFD). The first audit reported that a small but growing number of Washington cities, town, and other governments are experiencing

signs of declining financial condition. The SAO monitors local government financial condition and by reporting this, it will raise awareness of these challenges facing local governments. This may help the communities identify and resolve issues. The report on PDAs and PFDs stated that although most of these local governments do an effective job of carrying out their roles, they are finding some common audit issues. Some of these entity types are unaware of the legal and regulatory requirements and responsibilities of monitoring financial condition. The report included some suggestions to address these concerns.

A couple areas the SAO is starting to see some concerns are on-call contracting and online receipting. The on-call contracting is a situation where local governments have multi-year public works contracts covering multiple areas. The government may add an activity that is not included in this contract, and therefore do not consider all or different compliance requirements, such as prevailing wages, or bid requirements. The other area with concerns is online receipting. This occurs when the government contracts with a third party to receipt payments. The funds are in some cases deposited into a bank account that does not meet public depository requirements and may expose the public funds to certain risks. Chuck just wanted to get the word out that the SAO will be analyzing both on-call contracting and online receipting and provide more information as soon as available.

Jerry Pettit expressed his concerns that sometimes when asking SAO for advice regarding changes, the response was not specific. He asked that SAO address the question before they are onsite.

Meeting adjourned at 11:55 a.m.